

MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- The final estimate for **inflation-adjusted Gross Domestic Product (GDP)** indicated an annualized growth rate of 3.8% in the second quarter of 2007, up from 0.6% during the first quarter. Despite the improvement, inflation-adjusted GDP was only 1.9% above the year-ago level. Substantially slower growth in personal consumption expenditures was more than offset by activity in other sectors of the economy, particularly business investment in structures, Federal defense spending, and international trade.
- The **U.S. Consumer Price Index** declined from the July level at an annual rate of 1.7% in August, the most rapid decline since October 2006, and the third decline within the last 12 months. August also marked the third consecutive month the price index for energy declined. The index for housing prices remained at the July level while apparel prices were lower. Compared with one year ago, both energy and apparel prices were meaningfully lower.
- Seasonally-adjusted **light vehicle sales** were mixed in August compared with one year ago, with automobile sales down 4.5% and light truck sales up 5.2%. Compared with August 2006, the imports represented a smaller share of automobile sales, but a larger share for light trucks.
- Seasonally-adjusted **housing starts** continued declining, reaching the lowest level since June 1995. August starts were down 2.6% from the July level and down 19.1% from the year-ago level. On a monthly basis, starts increased in both the South and the Midwest, but were more than offset by declines in other regions. Compared with one year ago, starts remained at essentially the same level in the Midwest but declined substantially in all other regions.



- In August, **Michigan motor vehicle production** fell 15.3% from the July level, but was 9.2% above the level one year ago. Automobile production was 0.5% below August 2006, while truck production was up 17.5%. Michigan's share of U.S. production rose from 19.8% in August 2006, to 21.4% in August 2007.
- **Michigan wage and salary employment** increased by a slight 5,000 jobs in August from the July level, but was 56,000 jobs below the August 2006 level. Virtually all sectors exhibited year-over-year declines, led by the transportation equipment manufacturing sector, which was down 9.3% from August 2006. Compared with one year ago, only the education/ health services and leisure/hospitality services sectors posted employment gains, rising 1.7% and 0.4%, respectively.
- Continuing the phenomenon exhibited for most of 2007, **average weekly earnings** were higher in most sectors, despite the weakness in employment. Compared with one year ago, August earnings were up 4.5% or more in most nonmanufacturing sectors, as personal/ laundry services (up 10.5%), grocery stores (up 7.9%), and professional/business services (up 7.4%) exhibited the largest gains. Despite declines in transportation equipment manufacturing and nondurable manufacturing, even manufacturing earnings were up 0.9% from year-ago levels.



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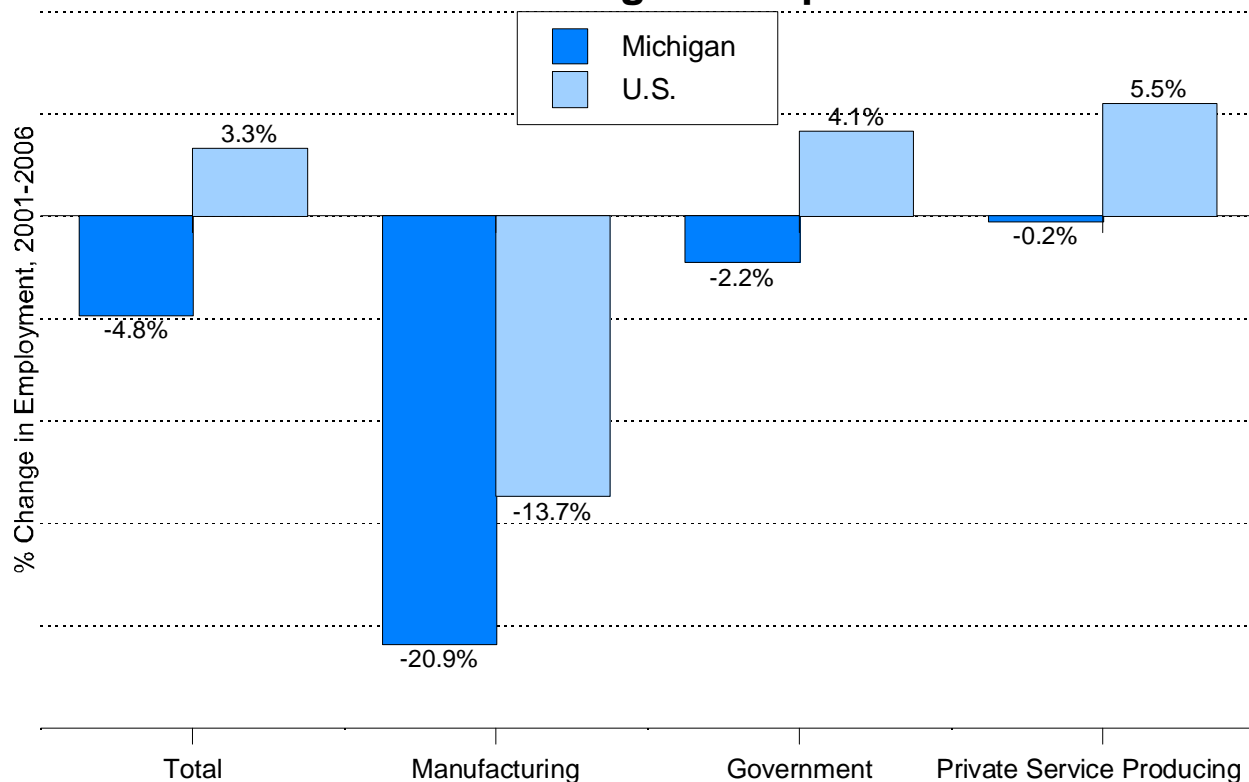
U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	Aug. 2007	July 2007	Aug. 2006	<u>Change from July</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	152,891	153,231	151,734	(340)	(0.2)%	1,157	0.8%
Employment	145,794	146,110	144,618	(316)	(0.2)	1,176	0.8
Unemployment	7,097	7,121	7,116	(24)	(0.3)	(19)	(0.3)
Unemployment Rate	4.6%	4.6%	4.7%	---	---	---	---

Michigan	Aug. 2007	July 2007	Aug. 2006	<u>Change from July</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	5,004	5,020	5,085	(16)	(0.3)%	(81)	(1.6)%
Employment	4,632	4,660	4,728	(28)	(0.6)	(96)	(2.0)
Unemployment	372	360	358	12	3.2	14	4.0
Unemployment Rate	7.4%	7.2%	7.0%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor

Employment Growth in Major Sectors, 2001 to 2006
U.S. and Michigan Compared



Source: Bureau of Labor Statistics, U.S. Department of Labor

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Aug. 2007*	July 2007	Aug. 2006	<u>Change from July</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,280	4,275	4,337	5	0.1%	(56)	(1.3)%
Goods Producing Industries	790	791	832	(1)	(0.1)	(42)	(5.1)
Natural Resources & Mining	8	8	8	0	0.0	(0)	(1.2)
Construction	161	162	179	(1)	(0.6)	(18)	(10.2)
Manufacturing	621	621	645	(0)	(0.0)	(24)	(3.7)
Transportation Equipment	196	197	216	(1)	(0.5)	(20)	(9.3)
Service Producing Industries	3,490	3,484	3,505	6	0.2	(14)	(0.4)
Trade, Transportation & Utilities	781	781	793	(0)	(0.0)	(12)	(1.5)
Information	66	66	67	(0)	(0.6)	(1)	(1.2)
Financial Activities	212	213	216	(1)	(0.3)	(4)	(2.0)
Professional & Business Services	585	583	587	2	0.4	(1)	(0.2)
Education & Health Services	593	592	583	1	0.2	10	1.7
Leisure & Hospitality Services	408	408	407	0	0.1	2	0.4
Other Services	177	177	178	0	0.0	(2)	(0.8)
Government	668	664	675	4	0.6	(7)	(1.0)

Source: Bureau of Labor Statistics, U.S. Department of Labor * Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Aug. 2007	Year Ago	Percent Change	Aug. 2007	Year Ago	Percent Change
Construction	37.0	39.4	(6.1)%	\$799.94	\$842.77	(5.1)%
Manufacturing	42.9	43.3	(0.9)	951.52	942.64	0.9
Durable Goods	44.5	44.4	0.2	1,067.11	1,042.07	2.4
Motor Vehicle Manufacturing	43.1	45.3	(4.9)	1,366.27	1,408.83	(3.0)
Motor Vehicle Parts Manufacturing	43.5	43.9	(0.9)	1,143.62	1,222.62	(6.5)
Nondurable Goods	37.9	39.7	(4.5)	589.35	614.56	(4.1)
Wholesale Trade	39.3	39.7	(1.0)	766.74	757.08	1.3
Retail Trade	31.0	29.9	3.7	372.62	365.08	2.1
Grocery Stores	27.8	27.3	1.8	257.98	239.15	7.9
General Merchandise Stores	29.7	29.8	(0.3)	313.93	309.32	1.5
Information	34.8	35.4	(1.7)	725.93	713.66	1.7
Financial Activities	34.1	33.7	1.2	615.16	588.40	4.5
Professional & Business Services	34.9	34.4	1.5	688.23	640.53	7.4
Health Care & Social Assistance	36.4	35.0	4.0	622.08	587.30	5.9
Leisure & Hospitality	22.8	24.3	(6.2)	206.57	205.58	0.5
Personal & Laundry Services	26.2	23.3	12.4	297.37	269.12	10.5

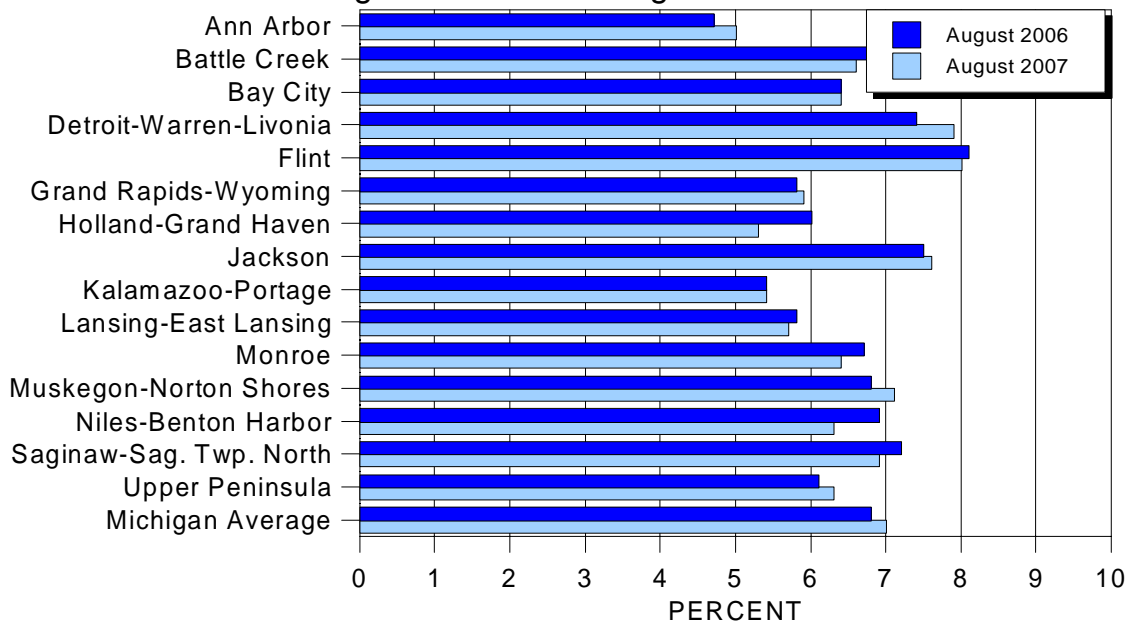
Source: Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	August 2007*	July 2007	June 2007	August 2006
Metropolitan Statistical Areas				
Ann Arbor	5.0%	5.6%	5.2%	4.7%
Battle Creek	6.6	7.6	7.2	6.8
Bay City	6.4	7.5	7.0	6.4
Detroit-Warren-Livonia	7.9	8.4	8.1	7.4
Flint	8.0	9.8	8.3	8.1
Grand Rapids-Wyoming	5.9	6.9	6.3	5.8
Holland-Grand Haven	5.3	6.1	5.9	5.0
Jackson	7.6	8.2	8.0	7.5
Kalamazoo-Portage	5.4	6.3	6.0	5.4
Lansing-East Lansing	5.7	7.2	6.2	5.8
Monroe	6.4	8.2	6.5	6.7
Muskegon-Norton Shores	7.1	8.0	7.6	6.8
Niles-Benton Harbor	6.3	7.4	7.1	6.9
Saginaw-Saginaw Twp North	6.9	8.1	7.3	7.2
Multi-County Areas				
Northeast Lower Michigan	7.6	8.4	8.4	7.2
Northwest Lower Michigan	6.3	6.8	6.8	5.9
Upper Peninsula	6.3	6.9	7.1	6.1
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	7.0	7.9	7.4	6.8
Source: Michigan Department of Labor and Economic Growth				*Preliminary

Michigan Regional Unemployment Rates

August 2006 and August 2007



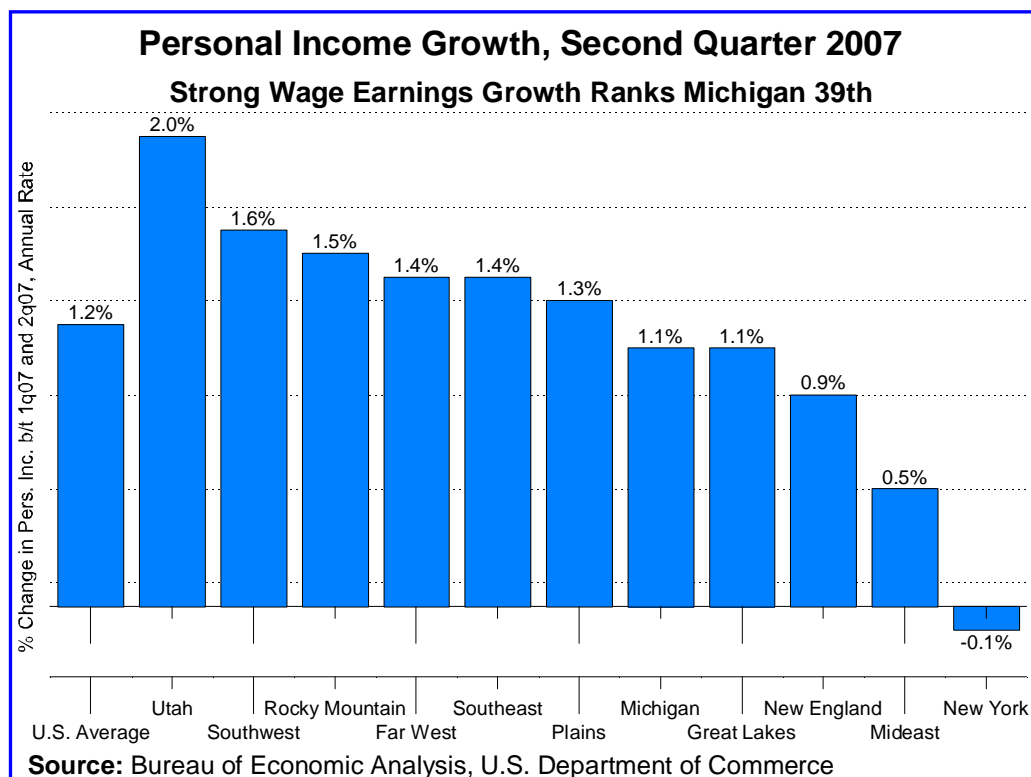
Source: Michigan Department of Labor and Economic Growth

**MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
(Thousands of Units)**

	Aug. 2007	July 2007	June 2007	May 2007	Year Ago August	Percent Change From:	
						Aug./July	Aug. 2007/ Aug. 2006
Motor Vehicle Sales¹⁾ (thousands of units, SAAR)							
Autos	7,356	7,216	7,639	8,026	7,701	1.9%	(4.5)%
Domestics	5,146	4,924	5,245	5,520	5,297	4.5	(2.9)
Imports	2,210	2,292	2,394	2,506	2,404	(3.6)	(8.1)
Import Share	30.0%	31.8%	31.3%	31.2%	31.2%	---	---
Light Trucks	8,845	8,018	7,988	8,249	8,404	10.3	5.2
Domestics	7,555	6,689	6,616	6,932	7,203	12.9	4.9
Imports	1,290	1,329	1,372	1,317	1,201	(2.9)	7.4
Import Share	14.6%	16.6%	17.2%	16.0%	14.3%	---	---
Subtotal: Light Vehicle Sales	16,201	15,234	15,627	16,275	16,105	6.3	0.6
Heavy Trucks	331	322	349	349	542	2.8	(38.9)
Total Vehicle Sales	16,532	15,556	15,976	16,624	16,647	6.3	(0.7)
U.S. Motor Vehicle Production¹⁾ (millions of units, SAAR)							
Autos	3,938	4,142	4,067	3,746	4,312	(4.9)	(8.7)
Michigan Motor Vehicle Production²⁾ (thousands of units, SAAR)							
Autos	1,099	1,425	1,110	1,112	1,104	(22.9)	(0.5)
Trucks	1,493	1,637	1,447	1,581	1,270	(8.8)	17.5
Total	2,592	3,062	2,558	2,693	2,374	(15.3)	9.2
Michigan Production as % of U.S.	21.4%	19.3%	18.3%	18.3%	19.8%	---	---
U.S. Motor Vehicle Inventories³⁾							
Total Car	1,282	1,318	1,415	1,451	1,223	(2.7)	4.8
Days Supply	49	49	51	47	44	0.0	11.4
Total Truck	1,847	1,846	2,014	1,940	2,018	0.1	(8.5)
Days Supply	65	67	77	66	74	(3.0)	(12.2)

SAAR = Seasonally Adjusted at Annual Rates.

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 3) Automotive News, Crain Communications, Inc. (ending inventory).



OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Weekly Leading Index , monthly ¹⁾ (1992=100)	August	139.5	142.2	134.8	(1.9)%	3.5%
Coincident Index ¹⁾ (1992=100)	August	154.6	154.3	150.8	0.2	2.5
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	August	1,331	1,367	1,646	(2.6)	(19.1)
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	August	\$339.9	\$338.9	\$328.3	0.3	3.5
Industrial Production Index ³⁾ (1997=100, seasonally adjusted)	August	114.4	114.2	112.5	0.2	1.7
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	August	82.2	82.2	82.4	0.1	(0.3)
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	August	207.7	208.0	203.8	(1.7)	1.9
Detroit (not seasonally adjusted)	August	199.7	201.6	198.6	(5.5)	0.5
Interest Rates						
3-month Treasury Bill ³⁾	August	4.34%	4.84%	4.98%	--	--
Corporate Aaa Bonds ³⁾	August	5.79%	5.73%	5.68%	--	--
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2007 2 nd Qtr.	\$11,520.1	\$11,412.6	\$11,306.7	3.8	1.9
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	August 2007	\$1,617.3	\$1,845.8	\$1,594.1	NM	1.5

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Economic Cycle Research Institute. 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

